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Israel

Food Processing Ingredients Sector

Israeli Food Processing Sector

2006

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Report Highlights:

Israel's economic grew by 5.2 percent in 2005, compared with 4.4 percent in the preceding year. In CY 2005, the value of the Israeli food processing industry, including beverages, beer and tobacco, was estimated at \$9.35 billion, a 3.2 percent increase over 2004. In CY 2005, food imports rose by 6.5 percent (from \$985 million to \$1.05 billion) compared to the previous year.

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Section I: Market Summary

Economic and Demographic Situation

Israel's population totaled 6.9 million in 2005, of which 19 percent were Muslims and other minorities. Population growth rate in 2005 was 1.8 percent. In November 2005, unemployment totaled 8.9 percent, a 10 percent decrease compared to December 2004. Israel's economic growth rate for 2005 was 5.2 percent, compared with 4.4 percent in the preceding year. GDP per capita increased by 3.3 in 2005 to \$ 17,800. In Israel, an average household consists of 3.3 persons. In 2005, total private consumption is expected to rise by 4.1 percent. The annual average per capita income stands at \$19,626. Inflation 2.4 percent. The economic situation in Israel is improving, boosted by the disengagement plan.

In 1985 Israel signed a Free Trade Agreement (FTA) with the United States. As a result, by 1995 nearly all tariffs on trade between the two countries were eliminated. Under the agreement each side is allowed limited protection of industries considered sensitive. Israel also has free trade agreements with Canada, Bulgaria, Jordan, Romania, Turkey, Mexico, and the European Union. Israel has a customs union with the Palestinian Authority. As a member of the World Trade Organization (WTO), Israel implemented the WTO Customs Valuation Agreement that requires legislation to eliminate non-tariff barriers.

Israel Food Processing Industry

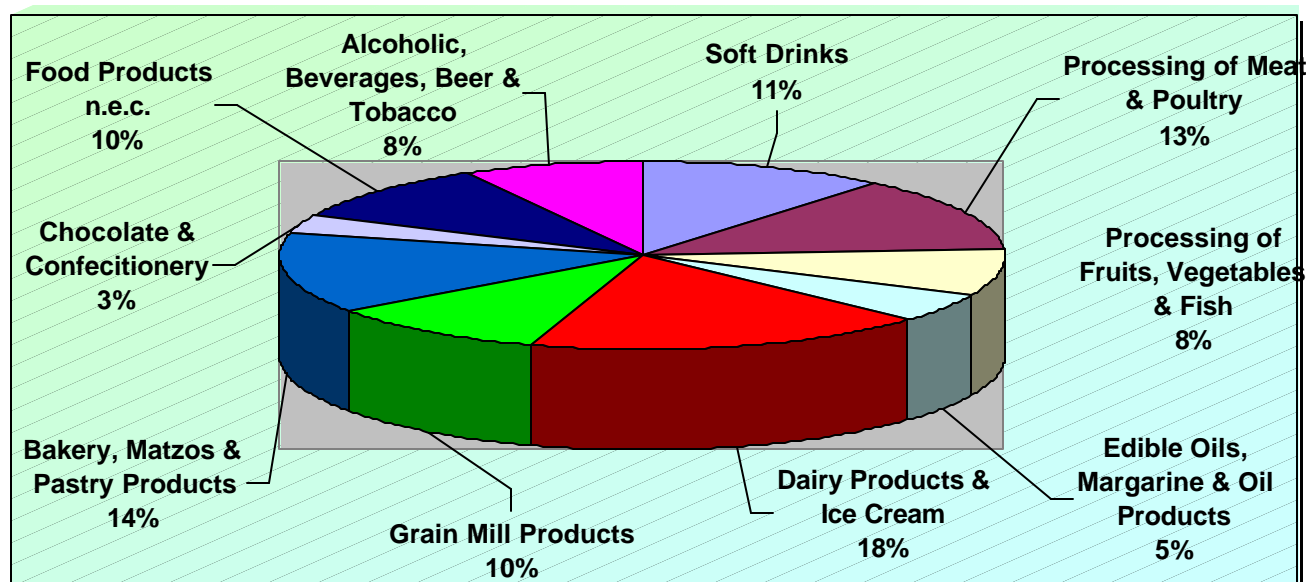
In CY 2005, the value of the Israeli food processing industry, including beverages, beer and tobacco, was estimated at \$9.35 billion, a 3.2 percent increase compared to the previous year (from \$9.06 billion to \$9.35 billion). Growth over the next few years is expected to be 1-3 percent annually.

Table 1: Israeli Food, Beverages and Tobacco Processing Industry Value, by Calendar Years, \$¹ Billion, Nominal Terms

CY	Value	Percent Change Compared to Previous Year
1998	\$7.13	2.69
1999	\$7.67	7.59
2000	\$7.85	2.37
2001	\$7.92	0.82
2002	\$8.44	6.62
2003	\$8.71	3.17
2004	\$9.06	4.00
2005	\$9.35	3.20
CY 2005 Percent Change Compared to CY 1998	31.1%	

Source: The Food Industries Association, Manufactures' Association of Israel

¹ Exchange Rate, 1 USA Dollar=4.6 NIS

Chart 1: Israeli Food Processing Industry Value, by Sub-Sectors, Percent, CY 2004

Source: The Food Industries Association, Manufacturers' Association of Israel

An estimated 1,000 companies make up the local food processing industry, many of them quite small. Out of the total, 150 companies produced approximately 90 percent of the total value. Most processing facilities are located in rural areas. Low salaries and high subsidies from the Israeli government granted to investors in these areas attract this sector.

The food processing sector is among the most competitive sectors in the Israeli economy, accounts for about $\frac{1}{4}$ of the total local industry revenues and 17 percent of its workforce (57,000 workers – see table 2). Out of the total food production, approximately 94-95 percent is for food processing for the local market, and the remainder is exported. The food sector in Israel is characterized by a high level of competitiveness, advanced working methods, technological innovations and the ability to provide a wide range of food products. The basic conditions in Israel are not conducive to a booming food industry. The local market is relatively small, with less than seven million consumers, and exports of food products from Israel are small. Israeli foods are perceived throughout the Western world primarily as niche goods targeted at the kosher or natural food sectors. Israel does not share borders with Western countries, and its high costs of shipment and employment added to its limited production capability make it difficult to export foods from Israel competitively. However, Israel has a large selection of food products, and that new products appear on the shelves almost daily. Several factors contribute to the accelerated rate of innovation prevalent in Israel's food industry: A) The food industry recently underwent a process of centralization, and is currently controlled by large corporations such as Tnuva, Osem-Nestle, Strauss-Elite, Tami-Telma-Uniliver, that are competing against each other. B) The penetration of multinational corporations into Israel over the past decade has contributed to the professionalism of Israeli companies and has increased centrality and competitiveness between industry leaders even further (Nestle, Danone, Uniliver, Pepsico and others). The multinational companies have brought many new products to Israel, but more importantly, they have contributed to the advancement of Israel's manufacturing techniques and implemented structured processes for innovation management.

Table 2: Number of Employees in the Local Food Industry, Thousands, CY

CY	Number	Percent Change Compared to Previous Year
1997	59.4	
1998	57.1	-3.9
1999	57.1	0.0
2000	57.5	0.7
2001	56.8	-1.2
2002	56.5	-0.5
2003	56.0	-0.9
2004	56.6	1.1
2005	56.9	0.5

Source: The Food Industries Association, Manufacturers' Association of Israel

Trade and the Market for U.S. Food Products

In CY 2004, agricultural and processed food imports to Israel totaled \$2.9 billion, 18 percent above previous year levels (see table 3). Of total agricultural imports, \$615 million (21 percent) were from the United States and \$1.04 billion from the EU. Israeli food and agricultural exports in 2004 totaled over \$1.4 billion, of which \$165 million (12 percent) were to the United States and \$1 billion (mainly vegetables products) to the EU.

In CY 2005, food imports rose by 6.5 percent (from \$985 million to \$1.05 billion) compared to the previous year. Food imports from the EU increased by 28.7 percent to \$700 million, during the same period of time. On the other hand, food imports from the U.S. decreased by 41 percent (from \$268 million to \$158 million). The decrease in U.S. food imports is attributed to high prices and high shipping costs. Food imports from Turkey and Jordan have increased by 22 percent and 43 percent, respectively, compared to the previous year. In addition, in recent years food imports from the far-east (mainly Thailand) have increased significantly. According to data from January-November 2005, imports of alcoholic beverages and vinegar, increased by 11 percent compared to the same period of time in the previous year (from \$86 million to \$96 million). Sugar and sugar confectionery increased by 8 percent and for the same period of time.

In CY 2005, food exports increased by 14 percent (from \$598 million to \$683 million) compared to the previous year. In 2005, food exports to the EU showed a 13.8 percent increase compared to CY 2004 (higher exports of prepared foods, beverages, and tobacco), from \$265 million to \$302 million. Food exports to the U.S. rose by 26.2 percent (from \$67 million to \$85 million) for the same period of time. According to data from January-September 2005, dairy exports, including ice cream, increased by 130 percent above the same period of time in the previous year (from \$8.1 million to \$18.6 million). Baked goods and chocolate exports increased by 30 percent and 36 percent, respectively for the same period of time. Baked goods exports totaled \$40.4 million (mostly crackers, cookies, pastries, and matza), and chocolate exports totaled \$7.5 million. Meat and poultry exports increased by 9.3 percent (January-September 2005) to \$40.1 million, and wine and alcoholic beverages exports rose by 7.6 percent to \$9.9 million compared to the same period in the previous year. The growth in food exports was attributed to the rising demand for specialized food products in international markets, and focused export efforts by the industry. Approximately 100 food exporters exist in Israel, and the products are exported mainly to Western Europe.

Table 3: Israeli Agricultural and Food Imports by Product, CY

Product Category	2003		2004	
	Million \$	Percent	Million \$	Percent
Live animals	22.59	0.92	21.62	0.74
Meat & edible meat offal	118.27	4.83	156.77	5.39
Fish, crustaceans and mollusca	102.86	4.20	103.19	3.55
Dairy produce; eggs, natural honey; edible products of animal origin	25.29	1.03	31.66	1.09
Products of animal origin n.e.c	2.15	0.09	2.91	0.10
Live trees and other plants, bulbs, roots and other garden plants	8.40	0.34	9.99	0.34
Edible vegetables, roots and tubers	44.12	1.80	42.63	1.46
Edible fruits and nuts; peel of melons and other citrus fruit	82.27	3.36	92.71	3.19
Coffee, tea, mate and spices	44.19	1.80	49.81	1.71
Cereals	419.22	17.11	566.09	19.45
Products of milling industry; malt and starches; wheat gluten	50.24	2.05	41.64	1.43
Oil seeds, grains, fruits, industrial and medical plants. Straw and feed	222.23	9.07	280.73	9.65
Tree gum; resins, other vegetable saps and extracts	17.10	0.70	18.30	0.63
Vegetable plaiting materials; vegetable products n.e.c	4.32	0.18	7.83	0.27
Animal or vegetable fats and oils; animal or vegetable waxes	71.12	2.90	64.62	2.22
Preparation of meat, fish, or of other aquatic invertebrates	32.87	1.34	38.83	1.33
Sugar and sugar confectionery	158.68	6.48	163.82	5.63
Cocoa and cocoa preparations	71.98	2.94	77.24	2.65
Preparations of cereals, flour starch or milk; pastry products	84.92	3.47	94.45	3.25
Preparations of vegetable, fruits, nuts and other plants	105.92	4.32	135.02	4.64
Miscellaneous edible preparations	174.27	7.11	202.46	6.96
Alcoholic beverages and vinegar	78.88	3.22	96.42	3.31
Residues and waste from the food industries; prepared animal feed	72.42	2.96	127.89	4.39
Wood and articles of wood	293.56	11.98	327.35	11.25
Cotton	141.51	5.78	156.51	5.38
Grand total	2,449	100	2,910	100

Source: CBS, Foreign Trade Statistics, Different Years.

Table 4: Trade of Processed Food, Beverages and Tobacco, \$ Million, Real Terms (2005=100), CY

Period CY	Imports		Exports		Grand Total	
	Value	%	Value	%	Value	%
1998	\$825	63.41	\$476	36.59	\$1,301	100.0
1999	\$825	65.27	\$439	34.73	\$1,264	100.0
2000	\$841	65.45	\$444	34.55	\$1,285	100.0
2001	\$870	67.03	\$428	32.97	\$1,298	100.0
2002	\$852	66.51	\$429	33.49	\$1,281	100.0
2003	\$851	62.53	\$510	37.47	\$1,361	100.0
2004	\$985	62.22	\$598	37.78	\$1,583	100.0
2005	\$1,048	60.54	\$683	39.46	\$1,731	100.0

Source: The Food Industries Association, Manufacturers' Association of Israel
This is how the data is reported

Table 5: Trade of Processed Food, Beverages and Tobacco, Value, Real Terms (2005=100), CY

CY	Imports – Percent Change Compared to Previous Year	Exports – Percent Change Compared to Previous Year	Grand Total – Percent Change Compared to Previous Year
1999	0.00	-7.77	-2.84
2000	1.94	1.14	1.66
2001	3.45	-3.60	1.01
2002	-2.07	0.23	-1.31
2003	-0.12	18.88	6.25
2004	15.75	17.25	16.31
2005	6.40	14.21	9.35

Source: The Food Industries Association, Manufacturers' Association of Israel
This is how the data is reported

Table 6: Exports of Processed Food, Beverages and Tobacco, by Sub-Sectors, \$ Millions

	2005- January-November		2004- January-November	
	Value	Share Of Exports	Value	Share Of Exports
Food products & beverages	\$592.0	100.0	\$533.8	100.0
Meat & poultry	\$46.6	7.9	\$46.5	8.7
Fruit & vegetables	\$173.8	29.4	\$145.2	27.2
Dairy products & ice cream	\$22.0	3.7	\$11.1	2.1
Grain mill products	\$69.0	11.7	\$60.8	11.4
Bakeries	\$8.8	1.5	\$7.2	1.3
Manufacture of cakes, cookies & biscuits	\$29.6	5.0	\$25.7	4.8
Matzos	\$7.9	1.3	\$6.6	1.2
Chocolate, cocoa		1.6		1.4

& sugar	\$9.5		\$7.7	
Prepared food	\$19.2	3.2	\$27.0	5.1
Manufacture of food products n.e.c. & n.s.	\$178.3	30.1	\$171.9	32.2
Soft & alcoholic beverages, tobacco	\$17.0	2.9	\$16.3	3.1
Food products n.e.c.	\$10.3	1.7	\$7.8	1.5

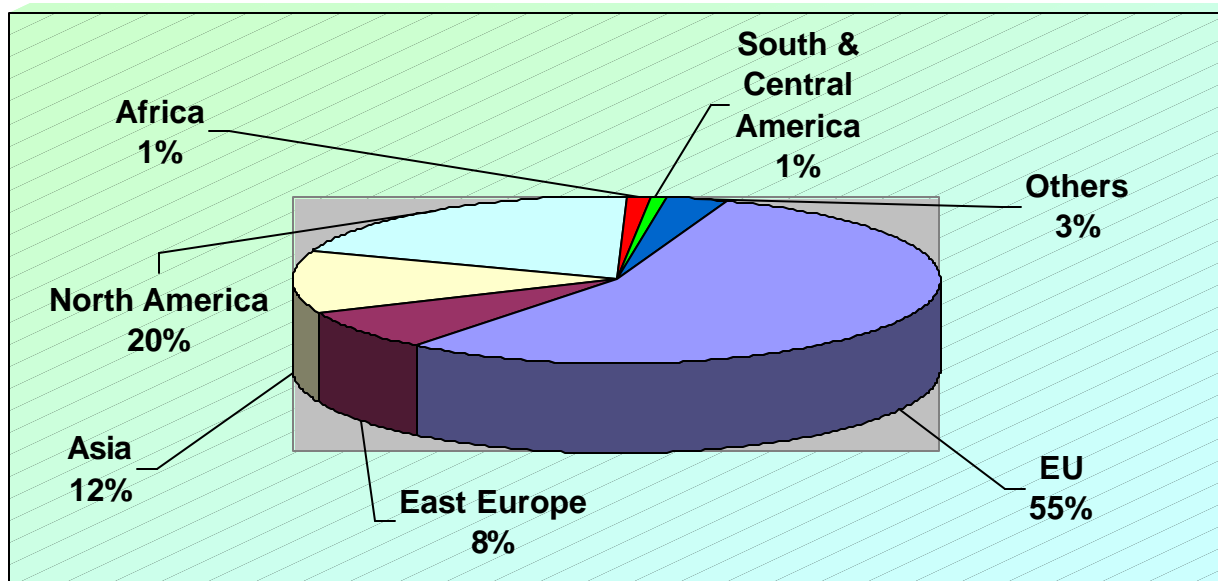
Source: Central Bureau of Statistics
This is how the data is reported

Table 7: Imports of Processed Food, Beverages and Tobacco, by Sub-Sectors, Percent, January-November 2005, by Sub-Sectors, \$ Millions

	2005- January-November		2004- January-November	
	Value	Market Share	Value	Market Share
Prepared Foodstuffs, Beverages and Tobacco	\$1,007.4	100.0	\$961.5	100.0
Preparation of meat, fish, or other aquatic invertebrates	\$39.8	4.0	\$32.3	3.4
Sugar & sugar confectionery	\$158.1	15.7	\$146.3	15.2
Cocoa & cocoa preparations	\$74.0	7.3	\$69.2	7.2
Preparations of cereals, flour starch or milk; pastry products	\$91.7	9.1	\$84.4	8.8
Preparations of vegetables, fruits, nuts and other plants	\$120.6	12.0	\$120.2	12.5
Miscellaneous edible preparations	\$198.7	19.7	\$186.4	19.4
Alcoholic beverages & vinegar	\$95.6	9.5	\$86.2	9.0
Tobacco & tobacco substitutes	\$112.8	11.2	\$113.3	11.8
Other food products	\$116.1	11.5	\$123.2	12.8

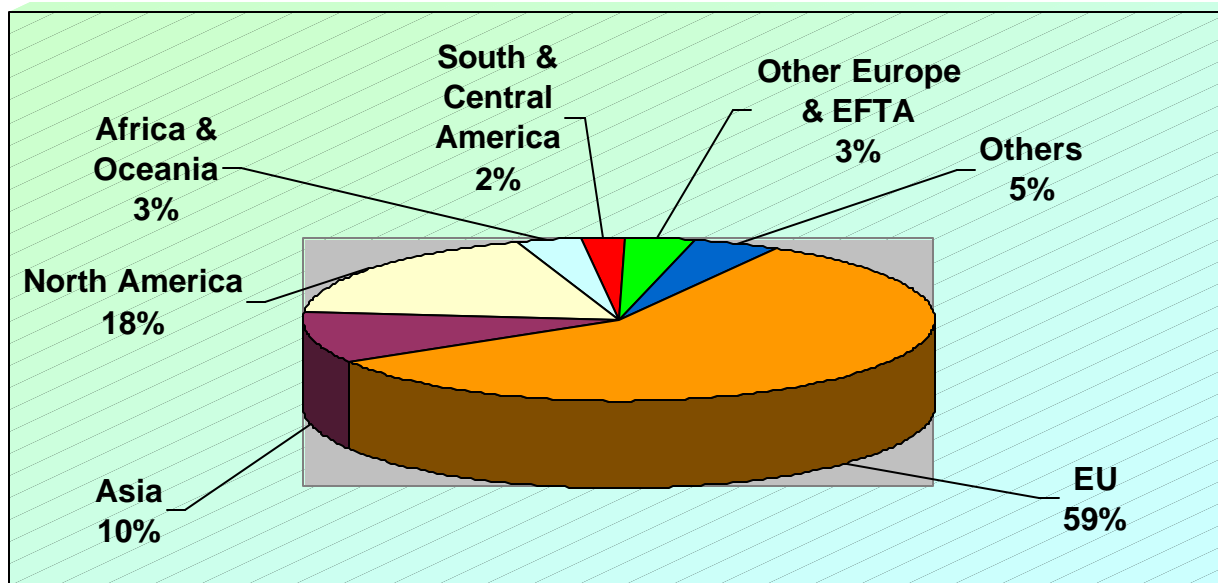
Source: Central Bureau of Statistics

Chart 2: Exports of Processed Food, Beverages and Tobacco, by Regions, Percent, CY 2004



Source: The Food Industries Association, Manufacturers' Association of Israel

Chart 3: Imports of Processed Food, Beverages and Tobacco, by Regions, Percent, CY 2004



Source: The Food Industries Association, Manufacturers' Association of Israel

Consumer Buying and Eating Habits

The monthly household consumption expenditure in 2004 totaled \$2,320, of which 16.3 percent (\$378) was directed to food purchases and consumption (see table 8). Approximately 40 percent of food purchases occur on Thursdays and Fridays. When buying food, Israelis are quality oriented and are ready to pay a premium for quality food products. The Israeli consumer is acquainted with American products and wishes to have more of them

available. During the last decade an increased share of consumers prefer to buy their products through supermarket chains, on account of the traditional channels of open markets and small grocery stores. Kosher certification is not an obligatory requirement for importing food into Israel. However, non-kosher products have a much smaller market share as the large supermarket chains and hotels refuse to carry them. About 2/3 of the consumers buy kosher food products.

Table 8: Monthly Household Consumption Expenditure For Food, \$, CY 2004

	Value	Percent
Consumption Expenditure - total	\$2,320	
Food - total	\$377	100
Bread, Cereals and Pastry Products	\$55	14.6
Vegetable Oils and Products	\$7	1.9
Meat and Poultry	\$59	15.6
Seafood	\$12	3.2
Milk, Milk Products and Eggs	\$57	15.1
Sugar and Sugar Products	\$13	3.4
Soft Drinks	\$18	4.8
Alcoholic Beverages	\$6	1.6
Miscellaneous Food Products	\$31	7.7
Fresh Vegetables & Fruits	\$51	13.5
Canned & Pickled Vegetables	\$12	3.2
Dried Fruit	\$7	1.9
Fruit Juices, natural	\$2	0.8
Meals away from home	\$48	12.7

Source: Household Expenditure Survey, 2004, CBS

Table 9: Opportunities and Challenges for U.S. Exporters to Israel

Opportunities	Challenges
The current exchange rate between the U.S. dollar and the euro continues to favor U.S. suppliers, as European products become more expensive.	The shipping costs are high.
There is tremendous growth in the number of food stores (supermarkets, grocery stores, 24-hour convenience stores), and restaurants.	The competition from Eastern Europe, Turkey, Former Soviet Union, South America and the Far East. Products from those areas are cheaper than products from the U.S. and EU.
The Israeli consumer appreciates American products and they are in demand.	Restricted food ingredients, for example non-kosher meat, poultry and pork.
Israel has the potential to be a “bridge” to the Palestinian Authority with its rapidly growing population.	U.S. suppliers’ interest in the Israeli market is still low.
Agricultural trade agreement between the U.S. and Israel.	Israeli buyers unfamiliar with U.S. suppliers and products.
	U.S. exporters lack knowledge of the Israeli market and are unaware of new opportunities.

Section II : Road Map For Market Entry

A. Entry Strategy

U.S. food ingredient suppliers should focus on establishing their business relationship with a reliable and efficient importer and distributor. Identify the appropriate distribution and sales channels. Commissioned Agents are used mainly for raw materials and commodities. U.S. exporters and Israeli importers could expand trade if confidence between them could be strengthened. Confidence could be strengthened, by visits of U.S. exporters/manufactures in Israel to explore opportunities firsthand, and meet with Israeli importers who handle the types of products that the U.S. exporter is interested in. The USDA/FAS should organize groups of U.S./Israeli food exporters to Israeli /U.S. food shows and food conventions. Large food processors like Tnuva Co. have their own purchasing/importing division to handle ingredient imports directly. Major food processors are increasingly importing directly from foreign suppliers in order to reduce costs. U.S. suppliers should initially contact the R&D, as well as purchasing/importing divisions of these large food manufactures, especially for new-to-market ingredients. A listing of contacts for Israel's major food processors is available from FAS Tel-Aviv Office upon request. U.S. exporters should consider the price sensitiveness of their customers, their product requirements, purchasing policies, and expected purchase volumes. Regarding the Food Standards and Regulations, see Gain Report IS5009 (<http://www.fas.usda.gov/gainfiles/200508/146130535.pdf>).

Additional Entry Options:

- Direct marketing (phone/video calls, emails, meetings)
- Direct marketing is common also through mail order booklets.
- Telephone marketing is increasingly common, but with mixed results.
- The Internet is widely used in Israel, and an increasing direct marketing avenue.
- Manufacturing under licensing agreements is also common in Israel.
- The government of Israel encourages both joint ventures and licensing.

Consider participating in FAS Tel Aviv organized or sponsored events. FAS Tel Aviv normally participates in ISRAFOOD - An International Food & Beverages Exhibition in Tel Aviv for professionals of the catering and food wholesale, retail, restaurants, hotels, institutional and food shops. During the same time the HOTEX exhibition takes place – presenting food display and restaurant equipment. It is the largest trade exhibition of its kind in Israel. Israfood represents an excellent opportunity to present products to key food importers, distributors, retailers, wholesaler and processors.

See the Exporter Guide Report for additional information:

<http://www.fas.usda.gov/gainfiles/200510/146131243.pdf>

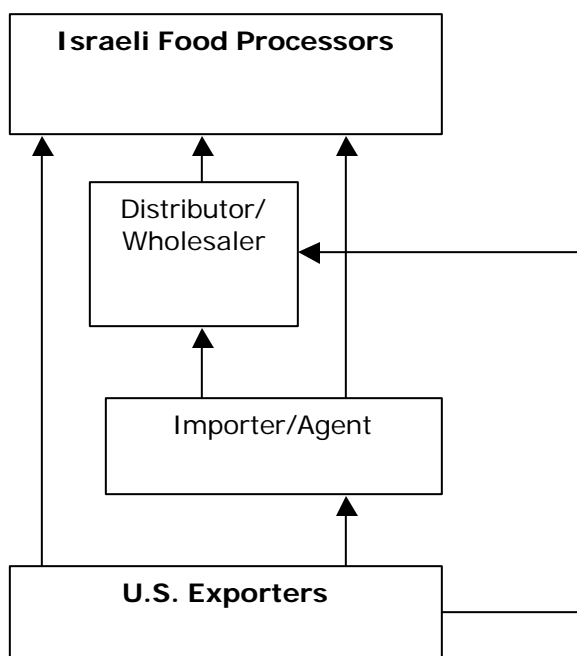
Market Requirements

Kosher: Israel law requires that all meat and poultry imports be certified kosher by the Rabbinical Council of the Chief Rabbinate or a body authorized by the Council. This policy presents significant challenges for U.S. meat exporters. Kosher certification is not a legal requirement for importing food into Israel (excluding meat and poultry). However, non-kosher products have fewer outlets, as the large supermarket chains and hotels cannot carry them. Manufacturers who produce kosher products must be able to satisfy Israeli rabbinical supervisors that all ingredients and processes are kosher. According to the Law for Prevention of Fraud in Kashrut, only the Chief Rabbinate of Israel is authorized to determine and approve a product as kosher for consumption in Israel; the Chief Rabbinate may authorize another supervisory body to act in its name. Israel's Chief Rabbinate recognizes the kashrut certification issued by many American rabbis. Israeli importers can also send Israeli rabbis to certify any supply source.

Biotechnology: Labeling of genetically modified food products is not yet required. The Israeli food committee plans to publish the procedures for registering genetically modified food soon. Registration will be required for food products containing GMO ingredients, or derived from genetically modified soybean, corn, canola and chicory (See Gain Report IS5008 - <http://www.fas.usda.gov/gainfiles/200507/146130334.pdf>)

B. Market Structure

Raw food materials are imported either directly by food manufacturers, through importers, or agents. Importers and agents sell directly to food manufacturers or via distributors. Local producers of raw food materials generally sell directly to food manufacturers but will use distributors to supply to smaller food manufacturers.

Distribution Channel for Imported Food Ingredients:

Food processors sell their products to a variety of sectors, including:

HRI Sector: The Israeli HRI market is very complex and diverse. Food service is divided into two categories: commercial and institutional. The commercial sector is divided into sub-sectors: hotels and restaurants. The commercial sector comprises an estimated 650 hotels and hostels, 2,300 restaurants, more than 700 banquet halls, over 420 coffee shops and cafeterias, and about 900 pubs and bars. In 2004, the market value of the restaurants, coffee shops, pubs and bars was estimated at \$2 billion. Approximately 45 and 23 percent of the bars and pubs respectively, are located in central Israel and northern Israel. In Israel there are about 2,300 kiosks, with a market value of \$1 billion annually. Fifty percent of the kiosks are located in central Israel. In Tel Aviv, approximately 1,550 restaurants, clubs, pubs and bars exist.

The institutional food service companies include approximately 4,000 kitchens. The Israeli Defense Forces (IDF) is the largest institutional food consumer. It is estimated that the IDF alone consumes about 4 percent of all Israeli food through its purchasing channels. Currently the IDF is in the process of privatizing its food supply chain (150,000 meals/day). The Israeli police force will join the IDF as a consumer in the project adding an additional 20,000 meals/day. Total revenue of the Israeli food trade is estimated at \$7.07 billion, and the HRI market is valued at \$4.42 billion.

In 2005, 1.9 million people visited Israel, bringing tourism to its highest levels since 2001. Entries into the country rose by 26 percent compared to the previous year. In 2005, income from tourism totaled \$2.9 billion, a 21 percent increase compared to the previous year.

Retail Food Sector: In 2004, the retail food market was valued at \$7.7 billion, of which 43 percent (\$3.3 billion) belonged to the two major retail food-marketing chains. The traditional open markets capture only 9.5 percent (\$738 million) of the food market. The

private supermarkets (the “fourth chain”) held 14 percent of market share, while grocery stores and minimarkets held 24 percent (\$1.89 billion). There are approximately 5,500 grocery stores and 1,700 minimarkets in Israel. Due to the intensive competition in the Israeli food sector, the grocery stores and minimarkets are operating at very small profit margins. More than 100 convenience stores, which are open 24 hours, were established in recent years. The retail food sector’s growth in CY 2004 totaled 2 percent.

Table 10: The Three Major Chains, CY 2004

Chain	No. of Stores	Commercial Area	Turnover
Shufersal	156	3.6 million sq.ft.	\$1.38 billion
Blue Square Coop	165	3.0 million sq.ft	\$1.29 billion
ClubMarket ²	110	2.1 million sq.ft	\$0.67 billion
Group Total	431	8.7 million sq.ft	\$3.34 billion

Table 11: Other Supermarkets

Store	No. of Stores in 2004	Type of Store	Turnover in 2004
Tiv Taam	15	Non-Kosher/International	\$289 million
Hatzi Hinam	4	Discount/Kosher	\$244 million
COOP Jerusalem	26	Kosher	\$167 million
Rami Levi	7	Discount/Kosher	\$89 million
Birchat Haaretz	17	Kosher	\$89 million
Yad Yizchak	3	Discount/Kosher	\$67 million
Victory	7	Discount/Kosher	\$56 million
Haviv	1	Discount/Kosher	\$49 million
Madanei Manya	4	Discount	\$34 million
Grand Total	64		\$1.08 billion

² ClumMarket was sold to the Shufersal in August 2005.

C. Company Profiles

Table 12: Profile of Major Food Manufactures

Company (Main Product Types)	Sales in 2004, \$ Million	Exports as a Percent of Total Sales	Foreign Parent Company	End-Use Channel	Production Location	Contact Information
Tnuva (Dairy, Fish, Meat &Poultry, Soy products)	\$1,432	2.3		Retail & HRI	Israel, U.S. , Romania	http://www.tnuva.co.il 972-3-6904000
Strauss-Elite (Confectionary, Dairy, Ice cream, Prepared salads)	\$787	29.0		Retail & HRI	Israel, U.S., Poland, Serbia & Montenegro	http://www.elite.co.il/ 972-3-6752111
Osem (Confectionary, Snacks, Prepared meals, Pasta, Breakfast cereals, Tea, cakes, soups)	\$569	13.8	Nestle	Retail & HRI	Israel, U.S.	http://www.osem.co.il/ 972-3-9265265
Coca Cola (Israel) (Beverages)	\$400	-		Retail & HRI	Israel	http://www.cocacola.co.il/ 972-3-6712222
Neto Group (Canned food, Fish, Meat Snacks, Milk products)	\$274	0.8		Retail & HRI	Israel	http://www.neto.org.il 972-8-8608585
Uniliver Bestfoods (Snack foods, confectionary, Ice cream, Margarine, Tea, soup mixes)	\$240	-	Uniliver	Retail & HRI	Israel	http://www.unilever.co.il/ 972-3-9729303
Ambar Feed Mill (Livestock Feed)	\$218	-		Retail	Israel	http://www.ambar.co.il 972-4-6321301
Frutarom (Flavor & fragrance molecules)	\$197	86.4		Retail	Israel	http://www.frutarom.com/
Shemen (edible oils, soybean meal, soy isoflavones, soy protein, Margarine)	\$150	2.7		Retail & HRI	Israel	http://www.shemen.co.il/ 972-3-5755705

Miloubar (Livestock Feed)	\$141	-		Retail	Israel	http://www.miloubar.co.il/HTMLs/Home.aspx 972-4-9853200
Jafora-Tabori (Beverages)	\$140	-		Retail & HRI	Israel	http://jafora-tabori.co.il/ 972-8-9344644
Of Tov (Fresh & Frozen Turkey & Chicken Products)	\$139	7.4		Retail & HRI	Israel	972-4-6066520
Solbar (Soy meals, Isoflavones, Proteins, Oils)	\$138	37.7		Retail	Israel, China	http://www.solbar.com/ 972-8-8632111
Tivall (Frozen soy & vegetables ready to eat products)	\$135	55.0	Nestle	Retail & HRI	Israel, Czech, Sweden	http://www.tivall.co.il/ 972-4-9933700
Tempo (Beverages)	\$134	1.0		Retail & HRI	Israel	http://www.tempo.co.il/ 972-9-8630630
Cham (Dried Tomato –Fruit – Egg powders)	\$131	97.9		Retail	Israel	http://www.cham.co.il/ 972-4-6989531
Tara (Dairy products)	\$130	-		Retail & HRI	Israel	972-3-6949443
Soglowek (Poultry & Meat ready to eat products, frozen baked products)	\$120	6.5		Retail & HRI	Israel	http://www.soglowek.co.il/
Gan Shmuel (Citrus & Tomatoes beverages, concentrations)	\$115	82.8		Retail & HRI	Israel	http://www.ganshmuel.com/
Angel Bakeries (Baked food)	\$93	0.4		Retail & HRI	Israel	http://www.angel.co.il/
Prigat (Beverages & citrus concentrations)	\$92	50.8		Retail & HRI	Israel, Spain, Romania	http://www.prigat.co.il/home/default.asp
Eden Springs (Beverages)	\$91	-		Retail & HRI	Israel	http://www.meyeden.co.il/
Off Tenne (Fresh & Frozen Turkey & Chicken)	\$82	-		Retail & HRI	Israel	972-4-6122500
Milouff (Fresh & Frozen Turkey & Chicken)	\$79	7.1		Retail & HRI	Israel	972-4-9853250

Hod Heffer (Fresh & Frozen Turkey & Chicken Products)	\$77	10.3		Retail & HRI	Israel	http://www.hodmeule.co.il/HTMLs/home.aspx
Galam (Fructose, Glucose & Starch)	\$68	51.8		Retail	Israel	http://www.galam.co.il/
Maabarot (Baby food, Pet food, Food ingredient, Calf milk replacement)	\$67	4.8		Retail	Israel	http://www.maabarot-export.co.il/
Yotvata Dairies (Dairy)	\$66	-		Retail & HRI	Israel	972-8-6357200 http://www.yotvata.co.il
Carmel Mizrachi Winery (Beverages)	\$65	12.0		Retail & HRI	Israel	http://www.carmelwines.co.il/
Sunfrost (Frozen Vegetables products)	\$62	11.0		Retail & HRI	Israel	yaari@sunfrost.co.il , sunfrost@sunfrost.co.il
Koffolk (Medicated feed additives)	\$55	53.0	Phibro Animal Health	Retail	Israel	http://www.koffolk.co.il/web/index.php?main_id=1 972-3-9273162
Ganir (Beverages, and citrus concentrations)	\$55	71.3		Retail & HRI	Israel	http://ganir-primor.com/
Vita Pri Hagalil (Canned food, Prepared fruit & Vegetables, Desserts)	\$54	8.7		Retail & HRI	Israel	http://vita.pionet.com 972-4-6930274
Off Hagalil (Fresh & Frozen Turkey & Chicken Products)	\$50	3.1		Retail & HRI	Israel	972-4-6816343
Neviot (Beverages)	\$48	-		Retail & HRI	Israel	http://www.neviot.co.il/
Tibon-Vil (Fresh & Frozen Turkey & Chicken Products)	\$44	2.6		Retail & HRI	Israel	ora@emneto.co.il 972-8-8608500
Gad Dairy (Dairy)	\$37	0.7		Retail & HRI	Israel	http://www.gad-dairy.co.il/ 972-3-5550222

Tiv-Tirat Tzvi (Fresh & Frozen Turkey & Chicken Products)	\$30	15.4		Retail & HRI	Israel	972-4-6074281 972-4-6538022
Barkan Winery (Beverages)	\$29	6.2		Retail & HRI	Israel	http://www.barkan-winery.co.il/
Williger (Canned food, Breakfast cereals, Dried fruits)	\$28	-		Retail & HRI	Israel	http://www.williger.co.il 972-8-8608585
Golan Heights Winery (Beverages)	\$27	17.4		Retail & HRI	Israel	http://www.golanwines.co.il/
Sanlackol (Tomato-Citrus-Corn products)	\$26	18.3		Retail	Israel	http://www.sanlakol.com/index.php?lang=he
Delidag (Frozen fish products)	\$25	3.7		Retail & HRI	Israel	http://www.delidag.co.il/
Maadaney Yehiam (Poultry & Meat products)	\$21	21.2		Retail & HRI	Israel	http://www.yehiam.com 972-4-9856068
Carmit (Confectionary)	\$20	16.7		Retail & HRI	Israel	http://www.carmit.co.il/

Source: D&B Web Site, Israel ³

D. Sector Trends

A) The food industry recently underwent a process of centralization, and is currently controlled by large corporations such as Tnuva, Coca Cola, Osem-Nestle, Strauss-Elite, Tami-Telma-Uniliver, that are competing against each other. B) Multinational companies (Nestle, Danone, Uniliver, Pepsico and others) are often joint investments with Israeli investments. C) Israeli companies produce some foreign brands of food products under license with the rights to market within specific geographical markets. D) in 2005 Israeli companies invested in foreign companies and opened new plants at a value of \$200 million, mainly in East Europe. E) As a result of household income increase and health food awareness, consumption of healthy food products has increased rapidly in recent years, and due to that almost 90 percent of Israeli food plants have created new healthy food products or made healthy improvements in their food products.

³

http://duns100.dundb.co.il/ts.cgi?tsscript=/ranking/e59a1_sector&sec_name=Food,%20Beverages%20%26%20Tobacco

Section III – Competition

In CY 2004, agricultural imports to Israel totaled \$2.9 billion, 18 percent above previous year levels (see table 3). Out of total agricultural imports, \$615 million (21 percent) were from the United States and \$1.04 billion from the EU. In addition, the Far East and Turkey are increasing their market share.

Israel is dependent on imports for its grain and feed needs. Total food and feed grain imports in CY 2005 amounted to close to 4.2 million mt, of which 2.88 (69 percent) million mt were feed and milling grains and the remainder was soybeans, gluten, meals, oats and other substitutes. The U.S. market share in CY 2005 totaled 22 percent compared to 52 percent market share in CY 2002. In recent years, the American market share is effected by increased imports of grain, and soybeans from Argentina, Brazil and Black Sea Basin. See the Grain & Feed Report for additional information:

<http://www.fas.usda.gov/gainfiles/200502/146118830.pdf>

Table 13: Major Imports Products Categories and Competitors' Market Share

Product Category	Major Supply Source	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Meat & edible meat offal Net Imports: \$156.8 Million	1. Argentina –41% 2. Brazil – 27% 3. Uruguay – 13% USA is an insignificant supplier (0%-1%)	Out of the total beef sales, 87 percent is kosher frozen beef meat, mainly imported from S. America	In 2005, the decreased consumption in beef was due to high beef prices combined with low quality. Local beef demand is higher than local production
Fish, crustaceans and mollusca Net Imports: \$103.2 Million	1. Norway – 24% 2. Kenya – 13% 3. Argentina– 10% USA is an insignificant supplier (1%-2%)	Largest seafood exporters are Norway (salmon), Kenya (frozen fillets) and Argentina (hake)	In 2004, domestic sea food production accounted for 40 percent, while 60 percent was imported
Dairy produce; eggs, natural honey; edible products of animal origin Net Imports: \$31.7 Million	1. U.S. – 21% 2. Germany- 17% 3. Denmark – 15%	U.S. strength is in sorbets, Ice cream, cheddar cheese and natural honey	Israel's strength is in soft cheese. Most of the high quality hard cheese is imported.
Edible fruits and nuts; peel of melons and other citrus fruit Net Imports: \$92.7 Million	1. U.S. – 46% 2. Turkey – 26% 3. China – 5%	U.S. strength is in almond ,walnut, Pears and apples. Iranian pistachio is a competitor of U.S. pistachio.	Local production of tree nuts is relatively small compared to demand.

Cereals Net Imports: \$566.1 Million	1. Black Sea Basin 2. Argentina & Brazil 3. U.S. – 20%	The U.S. has been effected by a variety of high quality grain suppliers to Israel and high price gap between U.S. grains and other grains.	Israel is dependent on imports for its grain and feed needs
Oil seeds, grains, fruits, industrial and medical plants. Straw and feed Net Imports: \$280.7 Million	1. Argentina & Brazil 2. U.S. – 21%	The U.S. has been effected by increased imports of soybeans from Argentina and Brazil. U.S. strength is in gluten and corn chips.	Israel is dependent on imports for its grain and feed needs.
Preparations of cereals, flour starch or milk; pastry products Net Imports: \$94.5 Million	1. Italy – 23% 2. U.S. – 13% 3. Germany – 12%	The U.S. competitors are Italian and Turkey pasta and pastry products.	Osem-Nestle and Elite accounts for most of the local production.
Wine & Beer Net Imports: \$28.2 Million	1. Belgium – 23% 2. Netherlands – 15% 3. France – 12% U.S. wine market share is 9 percent. USA is an significant supplier of beer (1/2%)	In recent years wine & beer imports have increased significantly, mainly red wines. There is a growing in the local specialty beer market.	Domestic beer and wine production accounts for 76 percent and 70 percent, respectively, while the remainder is imported.

Source: CBS, Foreign Trade Statistics, Different Years

Section IV: Best Product Prospects

1) Wine and Beer - The Israeli beer market is estimated at \$113 million (sales of 38 million liters), of which local production is about 76 percent and the remainder are imports. Recently the market for specialty beers is growing. In 2004, wine sales increased by 3 percent in volume terms to reach over 14 million liters. In value terms, sales also increased by 3 percent to reach \$174 million in 2004. The demand for red wine is growing most rapidly. The 2004 Agreement on Trade in Agricultural Products, for the first time grants U.S. wine exporters a tariff rate quota of 200,000 liters of wine.

2) Soy Food Products - There is an increasing demand for soy based meat substitute foods for human consumption. In 2004, the local market value of such foods is estimated at \$63.6 million. The market value has grown by 6 percent compared to the previous year and is expected to continue to grow in the next few years. It is estimated that fifty percent of the population in Israel consumes sometimes meat substitute food products (soy), although only

8 percent is vegetarian. The local market value for soymilk is estimated at \$27.3 million. Approximately 7 percent of the population consumes soymilk. The market for soy milk and soy milk products is growing much slower than predicted.

3) Fish and Seafood Products – It is estimated that fish processing industry will continue to expand in the next few years by 5 percent annually. Therefore, there are opportunities for U.S. exporters. In addition, there is a high demand for quality seafood; shrimp, crab, lobster, calamari, shellfish, fillet, salmon and sushi. Best opportunities for imported fish are during the period of Jewish holidays, Rosh Hashanah (New Year) and Succot (Feast of Tabernacles) – September and October and at Passover during April, when traditional meals include all kinds of fish. The free trade agreement signed between the U.S. and Israel granted the U.S. a tariff rate quota of more than 5,600 tons tax-free imports. Additional exports above the 5,600 tons quota are entitled to a 10 percent reduction in tax, compared to other exporters.

Table 14: Quantities for Tax Free Imports from the USA, Tons, CY

Codes	Short Description of Product	2004	2005	2006	2007	2008
0303	Fish frozen, not fillet, from fresh water	281	301	322	344	368
0303	Fish frozen, not fillet, from salt water	4,909	5,253	5,620	6,014	6,435
0306.1300	Shrimps & Prawns	50	50	50	50	50
0307.5000	Octopus and Calamari	40	40	40	40	40

Table 15: Tax Reduction Percentage for U.S. Exporters

Codes	Short Description of Product	U.S. Tax
0302.1100	Trout	12.75%+\$756.52/ton
0304.1000	Fish, fillet or other parts, fresh or chilled	Exempt
0304.1020	Pacific Ocean Salmon, Atlantic and Danube	Exempt
0304.1030	Trout fillet	Exempt
0304.1040	Tuna	8.7%+\$774.32/ton
0304.1050	Fillet of Skipjack, Sardines, Mackerels	Exempt
0307.0000	Mollusks	13.05%+\$871.11

4) Olive Oil - In 2004, annual local olive oil consumption was approximately 15,000 MT, of which 6,000 MT (40 percent) were produced locally, and the remainder was imported, mainly from Mediterranean countries. No imports of American olive oil were recorded in recent years. Starting 1996 through 2004, olive oil consumption increased by 142 percent (from 7,000 MT to 15,000 MT), and it is expected to continue to grow by 6 percent annually in the next few years. The driving force behind this growth is the health trend in recent years and intensive market promotion by the Israeli Olive Board. Approximately 86 percent of the population in Israel consumes olive oil, valued at \$27.3 annually.

5) Meat and Poultry Products - Israel law requires that all meat and poultry imports be certified kosher by the Rabbinical Council of the Chief Rabbinate or a body authorized by the Council. This policy presents significant challenges for U.S. meat exporters. There is strong

demand in Israel for quality kosher beef and lamb. Industry estimates that kosher certification for U.S. meat could result in an annual increase in U.S. meat exporters of \$15 million in the medium term and more than \$25 million in the longer term. As an exception, it is possible to import non-kosher beef offal. Due to the BSE problem, imports of beef and beef offal to Israel are not allowed currently.

6) Oils and Soy Meal - U.S. exports face a smaller tax burden compared to the exports from other origins. Recently, there has been a growing demand for canola oil meal and fish flour. Local grain millers and processing plants prefer the import of Hi-Pro oil meals instead of soybeans as an ingredient for oil meals.

Table 16: Tariffs on Oils and Soy Meals, Percent

	Soy oil, Sunflower oil and Canola oil		Other Oils		Soy Meal	
Starting from	U.S. E.U	Other Countries	U.S. E.U	Other Countries	U.S. E.U	Other Countries
8/29/2001	4.5	7.5	-	-	5.5	9.2
8/6/2003	4	7	-	-	4.5	7.5

7) In recent years there is a growing demand for kosher intermediate products for further processing (whip toppings, corn and potato starch, milk powder, desert toppings, butter powder, yeasts, products for the baking industry)

Section V: Key Contacts

FAS: Contact the Office of Agricultural Affairs, U.S. Embassy, Tel Aviv.
 Contact: Tel: 972-3-5197588/7324, Fax: 972-3-5102565,
 E-mail: gilad.shachar@usda.gov, yossi.barak@usda.gov,
 Web Site: www.usembassy-israel.org.il/fas/

The Food Industries Association, Manufactures' Association of Israel

29 Hamered St. Tel Aviv, 68125

Mr. Eyal Ronen – Economist – Tel: 972-3-5198853 ; Fax: 972-3-5198705

Email: eyalr@industry.org.il

Web site: <http://www.industry.org.il/Eng/SubIndex.asp?CategoryID=114>

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Ministry of Health

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Web site: <http://www.health.gov.il/english/>

Tel: 972-3-6270100

Fax: 972-3-5619549

Milk Products Import Specialist: Contact: Mr. Eli Gordon: Tel: 972-3-6270136

Israeli Veterinary Services.Web Site: <http://agri3.huji.ac.il/~yakobson/vetserv/index.html>

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More Useful Web SitesBank of Israel - <http://www.bankisrael.gov.il/firsteng.htm>Central Bureau of Statistics - <http://www.cbs.gov.il/engindex.htm>The Agricultural Research Center of Israel - <http://www.agri.gov.il/>Ministry of Agricultural and Rural Development - <http://www.moag.gov.il/english/>

Faculty of Agricultural, Food and Environmental Quality Sciences

<http://www.agri.huji.ac.il/index-eng.html>